

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Price Changes
Rates of General Applicability

Docket No. CP2022-22

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
THE POSTAL SERVICE NOTICE OF CHANGES IN RATES
OF GENERAL APPLICABILITY FOR COMPETITIVE PRODUCTS

(December 7, 2021)

I. INTRODUCTION

On November 16, 2021, the Commission issued a notice seeking comments on the Postal Service's proposed changes in rates of general applicability for Competitive products.¹ The Postal Service's Notice in this matter proposes both rate and classification changes.² The new prices and classification changes are intended to take effect on January 9, 2022. Postal Service Notice at 1. The Public Representative comments that follow first address the proposed rate changes and then the proposed classification changes.

II. RATE CHANGES

The Postal Service proposes price increases for the majority of the rates of general applicability for Competitive products. The Commission reviews these rates

¹ Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, November 16, 2021. (Order No. 6039)

² United States Postal Service Notice of Changes in Rates of General Applicability for Competitive Products, November 10, 2021 (Postal Service Notice).

pursuant to statutory requirements as implemented by previously-promulgated regulations, which:

- Prohibit the subsidization of Competitive products by Market Dominant products (See 39 U.S.C. § 3633(a)(1));
- Ensure that each Competitive product covers its costs attributable (See 39 U.S.C. § 3633(a)(2)); and
- Ensure that all Competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service (See 39 U.S.C. § 3633(a)(3)).

39 C.F.R. part 3015.

The Public Representative's review focuses on the second requirement to ensure that each competitive product covers its attributable costs. Generally, if all (or substantially all) Competitive products meet or exceed this requirement, the first and third requirements will likely be met. After review of the Postal Service Notice, Governors' Decision No. 21-6, and materials filed under seal, the Public Representative concludes that all Competitive products affected by the proposed price changes appear to cover their attributable costs.

The Commission identified five Competitive products that did not cover attributable costs during the 2020 Annual Compliance Determination (ACD).³ Of those five products, several are related to International mail. In the Postal Service Notice, the Postal Service elected to propose rate increases for a variety of International products. The Public Representative concludes that with these increases, International products will continue to cover costs as a whole and provide a satisfactory contribution to institutional costs. The Public Representative urges the Commission to further review these numbers in the 2021 Annual Compliance Determination Report.

The Public Representative concedes that the Postal Service is generally afforded pricing flexibility with respect to Competitive products provided it abides by the

³ Docket No. ACR2020, Annual Compliance Determination Report, March 29, 2021, at 4, 68.

aforementioned principles. While the vast majority of products affected by the Postal Service's proposed FY 2022 average price increases appear reasonable, there are four products which give the Public Representative pause when he sees their cumulative gain relative to others over the past three years. They are Parcel Select *Lightweight*, Adult Signature Service *Basic*, Adult Signature Service *Person-Specific*, and Competitive Post Office Box. The cumulative 3-year price increases for these products range from just under 30 percent to just over 50 percent, which is a very steep increase in a relatively short time falling disproportionately on the users of these products. That being noted, the Public Representative concludes that the proposed price increases nevertheless comply with the relevant statutory and regulatory requirements.

The Public Representative observes that two products, which previously were submitted with a range as a price increase, did not include a range this year. The Address Enhancement Services product possessed a potential price increase range of up to 100 percent⁴ last year, but received no price increase this year. Further, Premium Forwarding Service dispensed with a range in lieu of a flat 5.1 percent increase this year.

Table 1 shows the average increases for the products the Postal Service elected to increase.

Table 1
Average Price Increase (%), FY 2020 – FY 2022

<u>Product Name</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022*</u>	<u>Cumulative</u>
Domestic Competitive Products				
Priority Mail Express	3.5	1.2	3.1	7.8
<i>Retail</i>	3.8	1.0	2.9	7.7
<i>Commercial Base</i>	2.2	2.5	4.3	9.0
<i>Commercial Plus</i>	2.2	2.5	4.3	9.0
Priority Mail	4.1	3.5	3.1	10.7

⁴ For the Commission's explanation as to how the upper end of this range is applicable, see Docket No. CP2021-28, Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, November 17, 2020, at 3 n.3 (Order No. 5754).

<i>Retail</i>	4.9	3.0	4.5	12.4
<i>Commercial Base</i>	2.8	3.6	2.7	9.1
<i>Commercial Plus</i>	3.0	4.5	1.2	8.7
Parcel Select⁵		8.9	5.5	n/a
<i>Traditional</i>	2.5			n/a
<i>Destination-Entered non-Lightweight</i>			-11.1	n/a
<i>Destination Delivery Unit</i>		4.9	6.1	n/a
<i>Destination Sectional Center Facility</i>		10.7	-10.4	n/a
<i>Destination Network Distribution Center</i>		9.7	-23.1	n/a
<i>Lightweight</i>	4.2	20.0	7.4	31.6
<i>Ground</i>			-12.1	n/a
Parcel Return Service	4.9	4.9	4.9	14.7
<i>Return Sectional Center Facility</i>	4.9	4.9	4.9	14.7
<i>Return Delivery Unit</i>	4.9	4.9	4.9	14.7
First-Class Package Service	2.6	6.2	7.6	16.4
<i>Retail</i>	3.9	4.8	8.4	17.1
<i>Commercial</i>	2.2	6.5	7.4	16.1
Retail Ground	3.9	3.0	-7.4	-0.5
Domestic Extra Services				
Premium Forwarding Service	0.9-5.3	3.9-4.0	5.1	9.9-14.4
Adult Signature Service				
<i>Basic</i>	3.9	3.8	23.2	30.9
<i>Person-Specific</i>	3.6	3.6	22.4	29.6
Address Enhancement Services	0.4-3.8	3.7-100.0	0.0	4.1 - 103.8
Competitive Post Office Box	10.4	23.3	18.2	51.9
Package Intercept Service	3.9	4.1	4.6	12.6
Premium Data Retention and Retrieval Service			-51.5	n/a
International Competitive Products				
Global Express Guaranteed	0.0	0.0	2.3	2.3
Priority Mail Express International	2.0	0.0	3.2	5.2
Priority Mail International	6.0	0.0	3.7	9.7
International Priority Airmail	5.9	0.0	4.9	10.8
<i>International Priority Airmail M-Bags</i>	5.9	0.0	0.0	5.9
International Surface Air Lift	5.9	0.0	8.2	14.1
<i>International Surface Air Lift M-Bags</i>	5.9	0.0	2.9	8.8
Airmail M-Bags	6.0	0.0	5.0	11.0
First-Class Package International Service	9.9	0.0	4.2	14.1
International Ancillary Services and Special Services				

⁵ For the Commission's explanation as to the changes to Parcel Select regarding the proposed offering of "USPS Connect Local Mail," see Order No. 6039 at 3 n.3.

International Ancillary Services	2.7	0.0	5.0	7.7
<i>International Postal Money Orders and Money Transfer Service</i>		0.0	15.8	n/a

*Proposed average increase presented in Order No. 6039 at 3.

Sources: Docket No. CP2020-5, Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, October 10, 2019, at 3, Table I-1 (Order No. 5272); Order No. 5754 at 3, Table I-1; Order No. 6039 at 3, Table I-1. Grayed cells refer to confidential, non-applicable, or unavailable information; therefore, cumulative figures were not calculated.

Table 1 also shows that International Products will experience a 5.0 percent price increase this year, with International Ancillary Services *International Postal Money Orders and Money Transfer Service* receiving a well above-average price increase of 15.8 percent.

The Public Representative urges the Postal Service to strive to make it as abundantly clear as possible to its customers what happens when a Market Dominant Post Office Box becomes a Competitive Post Office Box regarding the prices they can expect. With Competitive Post Office Box prices increasing as much as they are, the Public Representative foresees dissatisfied customers who feel the Postal Service is taking advantage of them. The Public Representative believes that proactive measures would be prudent here. The average American is not going to scan the Federal Register or the Commission's website for notifications about Post Office Box reclassifications, and thus the onus should be on the Postal Service, as a public service, to be fully transparent with the public.

III. CLASSIFICATION CHANGES

The following classification changes appear within the Postal Service Notice:

Table 2
Description of Product Changes, FY 2022

Product Name	Description(s) of Changes
Priority Mail Express	1. Add USPS Tracking Plus as descriptor.

	<ol style="list-style-type: none"> 2. Add a \$1.50 fee for commercial parcels that exceed 1 cubic foot or with a length greater than 22 inches, if the customer did not provide dimensions or provided inaccurate dimensions in the electronic manifest file. 3. Add a \$4.00 - \$15.00 fee to parcels that exceed certain dimensions, as specified in MCS.
Priority Mail	<ol style="list-style-type: none"> 1. Add USPS Tracking Plus as descriptor. 2. Add a \$1.50 fee for commercial parcels that exceed 1 cubic foot or with a length greater than 22 inches, if the customer did not provide dimensions or provided inaccurate dimensions in the electronic manifest file. 3. Add a \$4.00 - \$15.00 fee to parcels that exceed certain dimensions, as specified in MCS.
Parcel Select	<ol style="list-style-type: none"> 1. Add USPS Connect Local. 2. Add USPS Tracking Plus as descriptor. 3. Forwarding and Return Service increased from \$4.75 to \$5.25 per piece. 4. Add a \$1.50 fee for commercial parcels that exceed 1 cubic foot or with a length greater than 22 inches, if the customer did not provide dimensions or provided inaccurate dimensions in the electronic manifest file. 5. Add a \$4.00 - \$15.00 fee to parcels that exceed certain dimensions, as specified in MCS.
Parcel Return Service	No stated product changes.
First-Class Package Service	<ol style="list-style-type: none"> 1. Add USPS Tracking Plus as descriptor. 2. Add a \$4.00 - \$15.00 fee to parcels that exceed certain dimensions, as specified in MCS.
USPS Retail Ground	<ol style="list-style-type: none"> 1. Remove qualification that permits non-hazardous materials to be shipped by air transportation after being converted to Priority Mail for Zones 1-4 only. 2. Add a \$4.00 - \$15.00 fee to parcels that exceed certain dimensions, as specified in MCS.
Competitive Ancillary Services	<ol style="list-style-type: none"> 1. Add "USPS Tracking Plus" to Premium Data Retention and Retrieval Service 2. Add products that are eligible for Premium Data Retention and Retrieval Service (USPS Tracking Plus) 3. Add a Domestic Products only qualification for Premium Data Retention and Retrieval Services (USPS Tracking Plus) 10-years data retention period.

The introduction of USPS Local Connect is the most intriguing change presented by the Postal Service. The Commission issued a CHIR with respect to this new offering,⁶ and through the Postal Service's Response,⁷ the Public Representative has gained a more favorable view of it. It is effectively an opt-in for small businesses that wish to expedite delivery to their local customers. USPS Local Connect provides the opportunity for same-day or next-day delivery for packages depending on how the sender elects to submit their package to the Postal Service, whether it is dropped off at the relevant Postal facility or picked up by the carrier along the route. With the Postal Service's elaborations and clarifications, the Public Representative commends the Postal Service for trying to better serve small businesses.

The Public Representative recognizes the wide latitude and authority that the Postal Service has to make classification changes, especially within the Competitive arena. In this regard, the Public Representative does not find any of the changes described in Table II to be inconsistent with 39 CFR 3040, subparts B and E.

IV. PROPOSED RATE CHANGES AND TIME-LIMITED CHANGES

On August 10, 2021, the Postal Service filed notice with the Commission concerning time-limited changes in rates of general applicability for Competitive products.⁸ The purpose of this filing was to provide additional revenue for the Postal Service from October 3, 2021 through December 26, 2021. With planned implementation of the new rates in this docket set to occur on January 9, 2022, and the old temporary rates expiring on December 26, 2021, the Public Representative

⁶ Chairman's Information Request No. 1, November 19, 2021 (CHIR No. 1).

⁷ United States Postal Service Response to Chairman's Information Request No. 1, December 1, 2021 (Response to CHIR No. 1).

⁸ Docket No. CP2021-127, Notice and Order Concerning Time-Limited Changes in Rates of General Applicability for Competitive Products, August 11, 2021 (Order No. 5955).

generated Table 3 to show where the public can expect to pay a little more and a little less.

Table 3
Comparison of New Rates and Time-Limited Rates Average Price Increase (percent)

<u>Product Name</u>	<u>Time-Limited</u>	<u>Proposed Rates</u>	<u>Difference (percentage points)</u>
Domestic Competitive Products			
Priority Mail Express	2.3	3.1	+0.8
<i>Retail</i>	2.3	2.9	+0.6
<i>Commercial Base</i>	2.2	4.3	+2.1
<i>Commercial Plus</i>	2.2	4.3	+2.1
Priority Mail	5.7	3.1	-2.6
<i>Retail</i>	5.3	4.5	-0.8
<i>Commercial Base</i>	6.3	2.7	-3.6
<i>Commercial Plus</i>	6.3	1.2	-5.1
Parcel Select	11.0	5.5	-5.5
<i>Destination-Entered non-Lightweight</i>		-11.1	n/a
<i>Destination Delivery Unit</i>	0.0	6.1	+6.1
<i>Destination Sectional Center Facility</i>	15.9	-10.4	-26.3
<i>Destination Network Distribution Center</i>	12.5	-23.1	-35.6
<i>Lightweight</i>	5.3	7.4	+2.1
<i>Ground</i>	6.2	-12.1	-18.3
Parcel Return Service	13.0	4.9	-8.1
<i>Return Sectional Center Facility</i>	7.4	4.9	-2.5
<i>Return Delivery Unit</i>	18.7	4.9	-13.8
First-Class Package Service	7.6	7.6	0.0
<i>Retail</i>	6.4	8.4	+2.0
<i>Commercial</i>	8.0	7.4	-0.6
Retail Ground	5.3	-7.4	-12.7

Sources: Order No. 5955; Order No. 6039.

As shown in Table-3, the public can expect to pay more for Priority Mail Express as a whole, Parcel Select *Lightweight*, and First-Class Package Service *Retail*. Conversely, the public can expect to pay less for Priority Mail, Parcel Return Service, and a variety of Parcel Select products.

V. ADDITIONAL REMARKS

On December 2, 2021, the Commission filed a second Chairman's Information Request.⁹ This one only had one public question and the rest were non-public. Review of these questions show due diligence on behalf of the Commission and are questions intended to ensure the benefit of the public.

On December 3, 2021, the Postal Service filed an additional notice with the Commission.¹⁰ The content of this submission was to notify the Commission of the Postal Service's intent to delay the implementation of the new Nonstandard Fees and Dimension Noncompliance Fee until April 3, 2022.

After review of all the documents filed in this Docket and the statutory requirements, the Public Representative maintains that the Postal Service's desire to increase their Competitive prices is reasonable and justified.

The Public Representative respectfully submits these comments for the Commission's consideration.

Respectfully submitted,

Christopher Mohr
Public Representative

901 New York Ave. NW, Ste 200
Washington, DC 20268-0001

⁹ Chairman's Information Request No. 2 and Notice of Filing Under Seal, December 2, 2021 (CHIR No. 2).

¹⁰ USPS Notice of Delayed Implementation of Classification Changes, December 3, 2021.

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202-789-6857

Christopher.Mohr@prc.gov